



MICHIGAN ELECTRIC AND GAS ASSOCIATION

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**Testimony of James A. Ault,
Michigan Electric and Gas Association**

**House Energy Policy Committee
HB 4297 (Renewable Energy)**

May 7, 2015

Dear Committee Members:

We have provided testimony previously on the energy bill package, which included a description of our association and the members listed below. All MEGA electric members anticipate meeting the 10% renewable energy credit portfolio requirement of 2008 PA 295, for 2015.

MEGA supports the renewable portfolio standard aspects of proposed HB 4297. Removal of prohibitions on waste-to-energy and geothermal heat pump projects as renewable energy resources will allow these projects to be considered in the future, on their individual merits, including cost-effectiveness. Removal of the geographic “territorial footprint” requirements of MCL 460.1029 eliminates a potential legal issue under the commerce clause of the United States Constitution. More importantly, by expanding the number of renewable energy projects eligible for consideration, it may reduce the cost of renewable energy credits.

The proposal would leave the renewable energy credit and capacity portfolio levels at the current statutory requirement (10%) rather than increasing the requirement. MEGA electric utilities subject to the current standard have varying customer and service area considerations, but all support leaving the standards at the current level vs. an increase, for these reasons:

- Utilities will be able to tailor any expansion of renewable energy (RE) to their individual needs and circumstances. Adaptability is an important consideration for Michigan energy policy.
- The future expansion of RE is subject to uncertainty due to potential impact of regional baseload coal plant retirements and federal environmental policy measures, including the EPA Clean Power Plan rule under development. Energy market circumstances, rather than inflexible mandates, should govern future decisions on electric capacity.
- The Act 295 RE program was a measure to encourage the initial development of RE, providing a working project basis for evaluating its performance and cost effectiveness. Going forward, the merits of RE projects and need for capacity should determine their placement in individual utility systems.

Alpena Power Company
Aurora Gas Company
Citizens Gas Fuel Company

Indiana Michigan Power Company
Michigan Gas Utilities
SEMCO Energy Gas Company

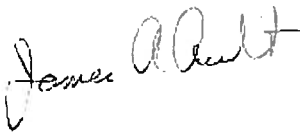
Upper Peninsula Power Company
We Energies
Wisconsin Public Service Corporation
Xcel Energy

- The combined impact of economic forces on demand and surplus electric generating capacity in the Midwest meant that RE developed under the current program was installed in advance of need for more capacity. A favorable experience has been the drop in RE cost since 2008; however, with the large amounts of RE added in Michigan and nearby states, preserving the status quo on mandates will facilitate a full and fair evaluation of RE performance at a time when capacity needs are increasing and performance is critical.
- No technology should be supported indefinitely by mandated involuntary purchases. At some time, projects need to stand or fall on their own merit.

The members of MEGA appreciate the work of this committee and the opportunity to provide comments. Individual members and the association will be happy to discuss these issues with any of you. Member contact information has been provided to your office.

Very truly yours,

MICHIGAN ELECTRIC AND GAS ASSOCIATION

A handwritten signature in cursive script that reads "James A. Ault".

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